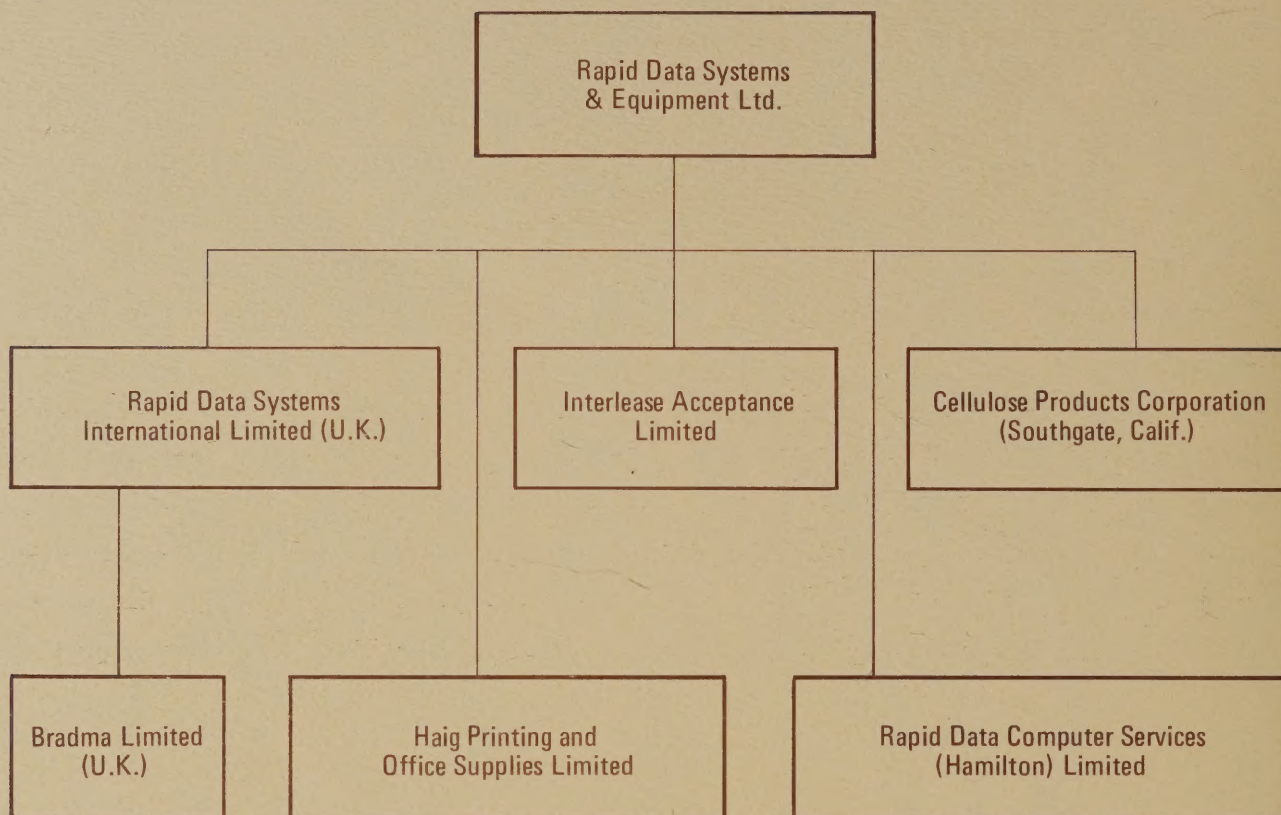


RAPID DATA Systems & Equipment Ltd.

Annual Report

1971



Offices: 129 Carlingview Dr., Rexdale, Ont., 330 Rue St. Roch, Quebec, Que. 750 Lucerne Rd., Town of Mount Royal, Montreal, Que., 1794 Courtwood Cresc., Ottawa, Ont., 625 Boyd Ave., Winnipeg 4, Man., 1161 Pettit Rd., Burlington, Ont., 1933 Tenth Ave., S.W. Calgary, Alta., 46 East 6th Ave., Vancouver, B.C.

RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARIES



Officers

ERIC ALAN (CLIVE) RAYMOND, President

MARTIN KORNBLOTH, Vice-President, Secretary-Treasurer

HECTOR T. MARSHALL, Vice-President

Directors

BRIAN M. BENITZ

Director of Wisener and Partners Co. Ltd.

OSWALD C. BOXALL

Managing Director

Rapid Data Systems International Limited

HECTOR T. MARSHALL

Vice-President

RICHARD C.W. MAURAN

Chairman of the Board, Harvey's Foods Ltd.

Chairman of the Board, Grissol Foods Ltd.

ERIC ALAN (CLIVE) RAYMOND

President

D.H. STODART

Vice-President and General Manager

Canadian Trans-Lux Corporation Ltd.

J.W. NEVIL THOMAS

Director, Midland-Osler Securities Ltd.

Transfer Agents

Guaranty Trust Company of Canada

88 University Avenue, Toronto 1, Ontario

427 St. James Street West, Montreal, Quebec

Auditors

MCDONALD CURRIE & CO.

Chartered Accountants

Bankers

Canadian Imperial Bank of Commerce

25 King Street West, Toronto, Ontario



To the Shareholders:

Last year your company embarked on a corporate re-orientation program which continued in fiscal 1971 and is now essentially completed. This program was directed towards a concentration of marketing efforts in two main areas: postage meters and credit identification card systems including equipment, supplies and services. These products offer the advantages of higher profit margins and reduced selling expenses.

As a result the company has in the past 18 months undertaken a series of acquisitions, corporate associations and reciprocal marketing arrangements aimed at strengthening and expanding its domestic and world marketing position. While sales of duplicating, addressing and filing equipment continue to provide a stable corporate earnings base, credit identification and postal equipment sales are expected to contribute to increased earnings growth both currently and in future years.

Financial Information

Current first quarter earnings are encouraging. However, consolidated financial results for the fiscal year 1971 did not meet expectations. Despite a marked rise in sales for the year ended June 30, 1971 to \$4,472,102 from \$3,543,377 last year, the company incurred a loss of \$198,204 against a loss of \$90,394 in the previous year.

Part of this loss is attributable to non-recurring costs associated with the restructuring of company operations. Depreciation and amortization plus product development expenses increased to \$192,000 compared to \$148,000 previously.

Unaudited net earnings for the three months ended September 30, 1971 were \$145,834, including an extraordinary credit of \$65,000, resulting from the reduction of income taxes on application of prior years' losses. This compares with a loss of \$26,350 in the corresponding period last year. Sales for the quarter rose to \$2,645,391, against \$1,133,543 in 1970. Contributing to the improvement were sales and earnings of Rapid Data Systems International Ltd. and its subsidiary, Bradma Ltd., included for the first time in the company's consolidated financial state-

ments. Consolidated working capital of \$1,040,000 at year-end improved more than \$1,500,000 in the quarter ended September 30, 1971. The principal reasons for the improvement were the sale of shares of Rapid Data Systems International Ltd. and the subsequent financing of the purchase of Bradma Ltd., substantial profits in the first quarter and the funding of a portion of the company's bank loans. It is anticipated that future quarterly statements will reflect a favourable trend in earnings.

The Year In Review

Rapid Data secured exclusive marketing rights for Canada, the U.K., and Europe for the Data Card Corporation series of high speed card embossing machines. The significance of this arrangement lies in the speed (1500 cards per hour) and in the simultaneous encoding capability of the equipment. A reciprocal arrangement has been concluded with Data Card Corporation to distribute Rapid Data's own line of card im printers in the U.S. market.

Rapid Data Systems International Ltd. established a credit and identification card embossing service bureau in England to accommodate, on a continuing basis, the requirements of volume card users who do not wish to purchase embossing equipment of their own. Similar installations are planned in Canada and the U.S. when warranted.

In May 1971 your company, together with the Eaton Retirement Annuity Plan, established a new leasing company, Interlease Acceptance Limited. The primary purpose of Interlease is to provide financing for your company's expanding postage meter operations. Rapid Data owns a 51% interest in the leasing company and provides management. The Eaton Retirement Plan will provide up to \$1,000,000 of working capital during the initial stages of operation. Additional bank credit will be sought when required. As a result your company has been able to expand its sales force and postage meter rentals have shown satisfactory growth. Management is confident that Interlease will be of substantial benefit in contributing to profitability in future years.

In July 1971 the U.K. subsidiary, Rapid Data Systems International Ltd., which is approximately 60 % owned by your company and 40% by Hambros Bank Ltd. acquired Bradma Ltd. Bradma Ltd. is a U.K. manufacturer of addressing, embossing and imprinting equipment employing 750 people with sales through offices and agencies in 62 countries. To finance your company's share of the purchase price, \$600,000 was raised by the private placement of 100,000 Rapid Data common shares at \$6.00 per share. These shares were placed at a price well above market at the time.

New Products

During the year Rapid Data acquired exclusive world-wide manufacturing and distribution rights, except for Sweden and Switzerland, for a patented new copy duplicator machine. This machine operates on a thermographic principle and permits dry copy duplicating in color on ordinary paper at much lower costs than comparable equipment on the market. Some 80 units were originally produced in Sweden and further development work is being undertaken at your company's U.K. plant. The machine has already been exhibited in Europe with excellent response. Marketing agreements with large international organizations for the distribution of this product in various parts of the world are expected to be concluded by mid-1972 with manufacture to commence shortly thereafter. Under these arrangements your company will derive benefits from world-wide sales of the machine and its patented supplies.

Outlook

As a result of its close association with the Data Card Corporation in the U.S. and of the acquisition of Bradma Ltd., your company has significantly expanded its product lines. It now has complete marketing services for the growing area of credit and identification systems in-

cluding plastic cards, high-speed embossers and imprinters.

Through Rapid Data Systems International Ltd. and its subsidiary, Bradma Ltd., your company has gained broad access to the U.K. and world markets.

These developments have already demonstrated their excellent potential as contributors to consolidated earnings.

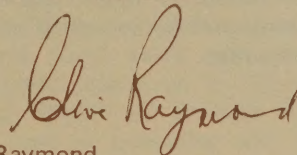
Sales to date of credit and identification cards, equipment and services are encouraging. Several large orders are currently being negotiated in Canada, Europe and other parts of the world. These developments are proving beneficial to the company's subsidiary, Cellulose Products Corporation, which operated at a sizeable loss last year but should be profitable this year.

The company's association with the Eaton Retirement Annuity Plan in Interlease Acceptance Limited is greatly assisting current postage meter operations. It is anticipated that profits from this sector of operations will gradually rise as progress is made in further penetration of the market which, up to now, has been dominated by a single manufacturer.

Sales and earnings for the first quarter of the current fiscal year were excellent. Management is confident the favourable trend will continue.

The directors take this opportunity of extending sincere thanks to the shareholders of the company for their support and to all employees for their contribution to the progress of the company.

On behalf of the Board



Clive Raymond,
President.

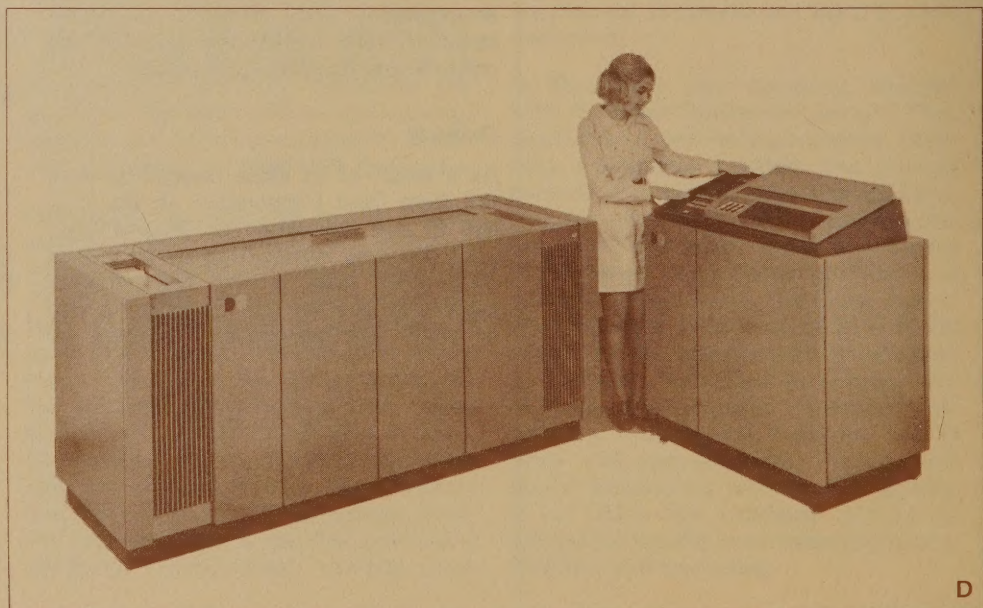
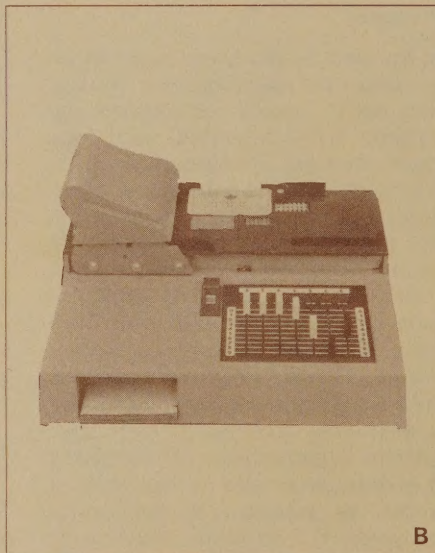
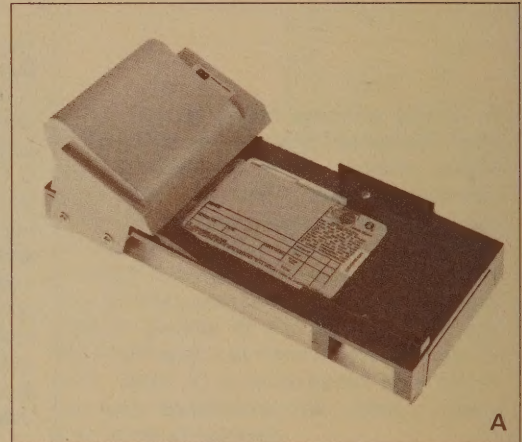
December 15, 1971

A. MODEL 520 CREDIT/IDENTIFICATION CARD IMPRINTER is engineered to industry wide imprinting standards to ensure maximum document acceptance in automated systems. The 520 accommodates credit cards for varying standard sizes and can be supplied in a variety of formats according to customer applications.

B. THE MODEL 550 is a Canadian made imprinter which takes any standard plastic credit/identification card. It imprints multiple carbon forms of 51 and 80 column tab size. No adjustments are necessary for varying sizes. It also has the capacity to print dollar amounts at the point of transaction and incorporates a safety device to eliminate mistaken imprinting of previous business.

C. THE BRADMA 450 heavy duty metal plate printing machine is designed for a wide variety of business systems including production control, preventive planned maintenance, order processing, payroll, pay coupons, medical records and radiology and addressing by automatic selection. The 450 is the basic Bradma unit onto which can be added attachments for single piece stationery, multi-part sets, card, or continuous stationery.

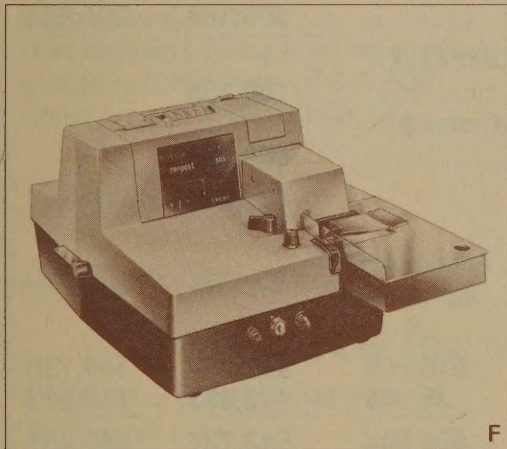
D. DATA CARD 1500 EMBOSSEr speeds embossing operations at up to 1500 cards per hour. Operating from a magnetic tape input, the 1500 is particularly suited to larger issuers of credit cards and for providing service bureau facilities.





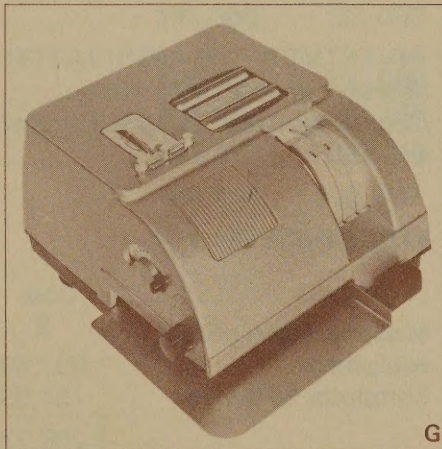
E

E. RANDOMATIC DATACODE is a refinement of the Randomatic electro-mechanical information retrieval system which incorporates a visual display panel to ensure accuracy of data selection. Information stored in Randomatic trays can be automatically sorted and cross referenced by 30 different characteristics and can be group selected in an instant. Datacode's flexibility makes it adaptable to a wide range of applications in business, government and education.



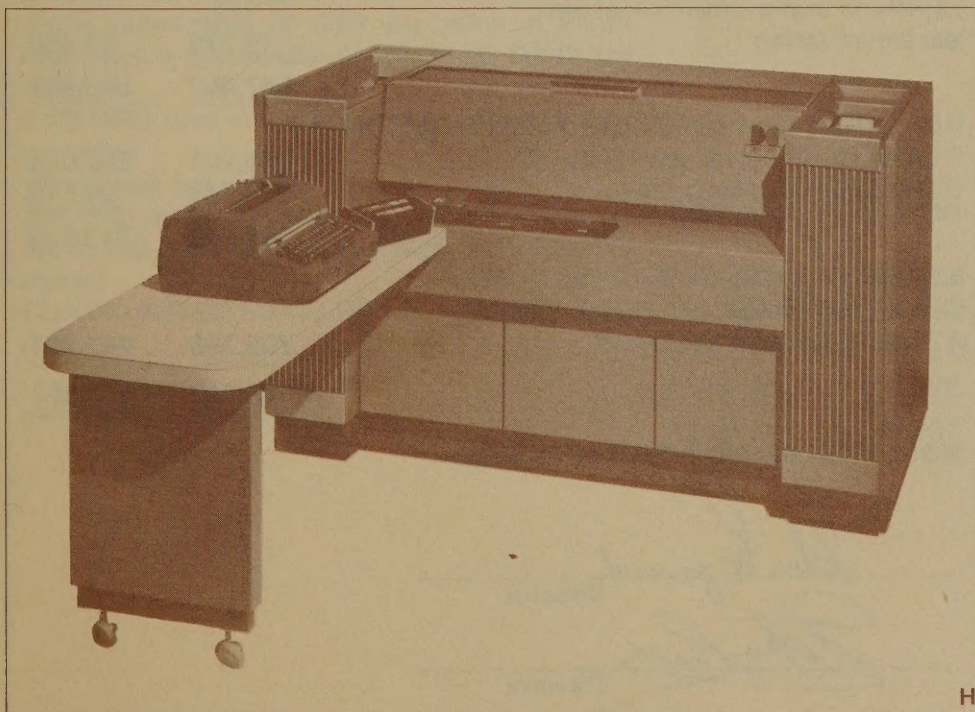
F

F. RONEO-NEOPOST introduce a new fast all-electric decimal franking machine with detachable meter at the B.E.E. '68 which can be bought outright or rented. Known as the 505, this machine franks and seals all shapes, sizes and classes of mail at the rate of 5/6,000 per hour.



G

G. NEOPOST 205 only 6" high the compact Neopost 205 incorporates an electric drive to speed operations. The 205 prints on tape as well as envelopes in any value from one cent to \$9.99. Two meters indicate the total amount spent and credit balance. Maximum load is \$990. At the flick of a switch the unit will also print your advertising message or return address. A security lock ensures against unauthorized use.

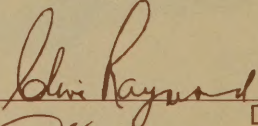
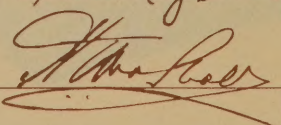


H

H. DATA CARD 750 EMBOSSE is a low cost system for embossing and encoding all standard size plastic cards. The 750 operates from typewriter keyboard, punch cards, tape cassette or magnetic tape at up to 750 cards per hour. Models are available for up to six lines of embossing with 30 characters per line. With its flexibility of input and high performance capability the 750 promotes exceptional efficiency in embossing operations.

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARIES**

**Consolidated
Balance Sheet
as at June 30, 1971**

ASSETS			1971	1970
			\$	\$
CURRENT ASSETS				
Cash			62,975	5,611
Accounts receivable				
Trade			1,190,320	1,073,890
Other (note 3)			149,556	197,442
Inventories — at the lower of cost or net realizable value			1,378,270	1,374,726
Prepaid expenses			62,773	70,756
			<u>2,843,894</u>	<u>2,722,425</u>
LONG-TERM RECEIVABLES				
Postage meter contracts			311,184	251,864
Due from supplier and franchisee			97,000	50,000
			<u>408,184</u>	<u>301,864</u>
INVESTMENT IN ASSOCIATED COMPANY				
Shares — at cost (note 16)			69,335	—
Due on allotment of common shares (notes 9 and 16)			600,000	—
			<u>669,335</u>	<u>—</u>
FIXED ASSETS				
	Cost	Accumulated depreciation		
	\$	\$		
Machinery and office equipment	1,057,696	616,602	441,094	449,730
Computer Software	151,038	38,405	112,633	118,673
	<u>1,208,734</u>	<u>655,007</u>	<u>553,727</u>	<u>568,403</u>
Leasehold improvements — at cost, less amortization			13,725	15,556
			<u>567,452</u>	<u>583,959</u>
DEFERRED CHARGES LESS AMORTIZATION				
Product development costs (note 5)			155,781	202,938
Other deferred costs (note 6)			104,748	90,570
			<u>260,529</u>	<u>293,508</u>
EXCESS OF COST OF SHARES IN SUB- SIDIARIES OVER NET BOOK VALUE AT DATE OF ACQUISITION			759,353	742,201
			<u>5,508,747</u>	<u>4,643,957</u>
SIGNED ON BEHALF OF THE BOARD				
				
Director				
				
Director				

LIABILITIES

1971

1970

CURRENT LIABILITIES

	\$	\$
Bank advances (note 2)	861,076	490,433
Accounts payable and accrued liabilities	853,612	794,575
Income taxes	—	37,216
Current portion of long-term debt	88,934	100,358
	<u>1,803,622</u>	<u>1,422,582</u>

DEFERRED REVENUE — Postage

meters (note 4)	76,647	55,390
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LONG-TERM DEBT

8% notes, Series A (notes 7 and 10)	304,000	304,000
8 1/2% note, due in 1976	200,000	—
7% convertible subordinated notes due September 6, 1974	195,000	195,000
Non-interest bearing note repayable in quarterly instalments of \$12,500	100,000	150,000
Other long-term debt (note 8)	161,433	190,745
	<u>960,433</u>	<u>839,745</u>

Less: Current portion	88,934	100,358
	<u>871,499</u>	<u>739,387</u>

MINORITY INTEREST

	<u>47,972</u>	<u>—</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 9 to 12)

Authorized —

200,000 6% cumulative convertible preferred shares redeemable at their par value of \$7.25 each and a maximum premium of \$0.45 per share

5,000,000 common shares without nominal or par value

Issued and fully paid —

200,000 preferred shares	1,450,000	1,450,000
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1,405,738 common shares (1970 — 1,305,738 shares)	2,706,634	2,106,634
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CONTRIBUTED SURPLUS	1,575	1,575
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DEFICIT	(1,449,202)	(1,131,611)
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	<u>2,709,007</u>	<u>2,426,598</u>
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	<u>5,508,747</u>	<u>4,643,957</u>
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Rapid Data Systems & Equipment Ltd. and subsidiaries as at June 30, 1971 and the consolidated statements of earnings, deficit and source and use of working capital for the year then ended. Our examination of the financial statements of those companies of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a U.S. subsidiary.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent, except for the change in the method of accounting for deferred revenue on postage meter contracts described in note 4, with that of the preceding year.

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS

December 9, 1971

RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARIES

Consolidated Statement
of Earnings

for the year ended June 30, 1971

	1971	1970
	\$	\$
SALES.....	4,472,102	3,543,377
COST OF SALES.....	<u>2,211,224</u>	<u>1,611,817</u>
GROSS PROFIT.....	2,260,878	1,931,560
SELLING AND ADMINISTRATIVE EXPENSES (includes \$58,043 bank interest in 1971; 1970 — \$15,370)	<u>2,221,359</u>	<u>1,877,969</u>
	<u>39,519</u>	<u>53,591</u>
OTHER (INCOME) AND EXPENSE		
Interest on long-term debt	51,137	64,051
Profit on purchase of Series A notes.	—	(53,425)
Depreciation and amortization of leasehold improvements.	114,512	84,658
Amortization of product development and other deferred costs (notes 5 and 6)	<u>77,448</u>	<u>63,131</u>
	<u>243,097</u>	<u>158,415</u>
	203,578	104,824
REDUCTION OF PRIOR YEARS' INCOME TAXES	<u>4,346</u>	<u>14,430</u>
LOSS FOR THE YEAR BEFORE MINORITY INTEREST.....	199,232	90,394
MINORITY INTEREST IN LOSS	<u>1,028</u>	<u>—</u>
LOSS FOR THE YEAR	<u>198,204</u>	<u>90,394</u>
LOSS PER SHARE	<u>21.8 cents</u>	<u>10.7 cents</u>

NOTE:

Loss per share is computed on a weighted average of the number of shares outstanding during the year and after preferred dividends.

**Consolidated Statement
of Deficit**
for the year ended June 30, 1971

	1971	1970
	\$	\$
BALANCE — BEGINNING OF YEAR	1,131,611	849,418
Loss for the year	198,204	90,394
Expenses relating to the issue of capital stock during the year	32,387	167,963
Dividends on preferred shares	87,000	23,836
BALANCE — END OF YEAR	1,449,202	1,131,611

**Consolidated Statement
of Source and Use
of Working Capital**
for the year ended June 30, 1971

SOURCE OF WORKING CAPITAL		
Increase in deferred revenue	21,257	36,981
Issue of capital stock	600,000	1,751,200
Proceeds on sale of fixed assets	26,870	71,817
Net working capital, at date of acquisition, of subsidiaries acquired during the year	—	121,123
Issue of 8 1/2% note	200,000	—
Capital subscribed to subsidiary by minority.. shareholders	49,000	—
	897,127	1,981,121
USE OF WORKING CAPITAL		
Loss for the year before minority interest	199,232	90,394
Items not affecting working capital —		
Depreciation and amortization of leasehold improvements	114,512	84,658
Amortization of product development and other deferred costs	77,448	63,131
Profit on purchase of Series A notes	—	(53,425)
	191,960	94,364
Used in operations	7,272	(3,970)
Investment in associated company	669,335	—
Decrease in non-interest bearing note and other long term debt	67,888	63,235
Purchase of Series A notes	—	330,575
Long-term receivables	106,320	229,393
Expenses relating to capital stock issued	32,387	167,963
Costs of subsidiaries acquired	17,152	473,889
Product development and other deferred costs.	44,469	89,272
Additions to fixed assets	124,875	208,605
Dividend on preferred shares	87,000	23,836
	1,156,698	1,582,798
INCREASE (DECREASE) IN WORKING CAPITAL	(259,571)	398,323
WORKING CAPITAL — BEGINNING OF YEAR	1,299,843	901,520
WORKING CAPITAL — END OF YEAR	1,040,272	1,299,843

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated
Financial Statements
for the year ended June 30, 1971**

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of Rapid Data Systems & Equipment Ltd. and its subsidiaries. These are as follows:

R.D.M. Limited
Rapid Data Computer Services (Hamilton) Limited
Cellulose Products Corporation*
Haig Printing and Office Supplies Limited
Interlease Acceptance Limited

*The accounts of this subsidiary were converted at \$1.00 U.S. = \$1.03 Cdn.

2. SECURITY FOR BANK ADVANCES

Accounts receivable of \$1,235,091 together with shares of two subsidiaries and a first floating charge debenture have been pledged as security for bank advances totalling \$861,076.

3. ACCOUNTS RECEIVABLE — OTHER

These include \$21,203 due from directors and officers, such loans having been reduced from \$59,666 at June 30, 1970.

4. POSTAGE METER CONTRACTS

These contracts are recorded as income by discounting the gross amounts receivable over their term at 8 1/2% per annum. Approximately 70% of the cost of the assets are charged against income over the term of the contracts, which are normally five years. Contracts were transferred to a subsidiary, Interlease Acceptance Limited, on June 1, 1971. Deferred revenue on these contracts has been taken into 1971 income for the month of June on the sum of the digits method instead of the straight line method. This change had no significant effect on the 1971 operating results.

5. PRODUCT DEVELOPMENT COSTS

These consist of:

- a) An unamortized balance of \$99,960 (1970 — \$151,004) for salaries, travel expenses and other marketing costs related to the launching of new products in a prior period. These costs are being written off at approximately 20 % per year.
- b) An unamortized balance of preoperating and developmental expenses of a U.S. subsidiary relating to the establishment of credit card service centres and the development of credit card verification equipment of \$55,821. Management expects to recover such expenses through successful operations in the future.

6. OTHER DEFERRED COSTS

These consist of:

- a) An unamortized balance of \$27,514 relating to plant relocation costs and employee recruitment costs. These are being amortized at various rates not less than 20% per annum.
- b) An amount of \$40,930 relating to patent rights owned by the U.S. subsidiary. The value of this asset is dependent upon the successful future development and sale of the product covered by the patent rights.
- c) Travel, legal and other expenses totalling \$36,304 relating to the acquisition of manufacturing and distribution rights and businesses. These are being amortized at varying rates upon completion of each acquisition.

7. 8% NOTES, SERIES A

- a) These notes mature on December 31, 1973 and are secured by a first fixed charge on all the issued and outstanding capital of RDM Limited, a wholly-owned subsidiary, and a floating charge on all of the other assets and undertaking of the company.
- b) The trust deed provides for the establishment of a sinking fund for the redemption of Series A notes. Sinking fund requirements for 1972 and 1973 are \$4,000 and \$300,000 respectively.

8. OTHER LONG-TERM DEBT

This consists of:

	1971	1970
6% note of \$119,148 U.S., repayable in monthly instalments of \$1,210 (including interest), secured by machinery and equipment costing approximately \$154,000 U.S.	\$	\$
	122,722	127,378
7% note of \$6,320 U.S., repayable in monthly instalments of \$930 (plus interest)	6,510	13,948
Equipment purchase contracts (\$17,809 U.S.)	18,343	34,307
Rentals on Equipment Leases	13,858	15,112
	<u>161,433</u>	<u>190,745</u>

**Notes to Consolidated
Financial Statements**
for the year ended June 30, 1971
—continued—

9. CAPITAL STOCK ISSUED

During the year 100,000 additional common shares were allotted for a consideration of \$600,000. The amount due on the allotment was received on July 6, 1971 and was invested in shares of Rapid Data Systems International Limited (Note 16). Financing expenses of \$32,387 were written off directly to the deficit account.

10. DIVIDEND RESTRICTIONS

The provisions of the Trust Deed securing the 8 % Notes, Series A (the Notes) prohibit the payment of dividends on capital stock except out of the aggregate of:

- a) 75% of the consolidated net earnings (as defined) after December 31, 1967 on a cumulative basis, and
- b) \$50,000

provided that such payments will not reduce consolidated working capital or shareholders' equity (both as defined) below \$500,000 and \$100,000 respectively.

Dividends paid to preferred shareholders during the year may have constituted an event of default under the Trust Deed. In the event of a default, the Trustee may in its discretion, and shall upon the request in writing of the holders of 25 % in principal amount of the Notes outstanding, declare the principal of and interest on all Notes then outstanding to be due and payable.

11. PREFERRED SHARES SINKING FUND

So long as the preferred shares are outstanding the company shall in each year commencing March 1, 1977 set apart for the purpose of purchase or redemption of preferred shares a sum equal to the lesser of:

- a) \$250,000
- b) 10% of its consolidated net income for the preceding fiscal year as defined in Supplementary Letters Patent after deducting certain specified dividends. However, the company shall not be required to use the sinking fund unless it is at least \$50,000.

12. RESERVATIONS OF CAPITAL STOCK

- a) 60,000 common shares are reserved at a price of \$3.25 per share against conversion rights attached to the 7 % convertible subordinated notes.
- b) The holders of preferred shares shall have the right at their option at any time up to but not after the close of business on December 1, 1976, to convert preferred shares into common shares in the capital of the company on the basis of one common share for each preferred share subject to certain adjustments should they become necessary. Until that date, the company is required to reserve out of its unissued common shares a sufficient number of shares to enable all of the preferred shares outstanding to be converted on the basis described above.
- c) Options have been granted to employees of the company to purchase 14,800 common shares at \$6.50 per share, exercisable on or before December 31, 1973.
- d) The minority shareholders of Rapid Data Systems International Limited have the right after December 31, 1974 up to and including December 31, 1976 to sell to the company the whole or any part of their respective minority shareholdings for cash based on earnings of International or, at the election of such minority shareholders, the equivalent value in common shares of the company, and accordingly common shares are reserved against such election.
- e) Subject to approval by the Montreal Stock Exchange, options have been granted to employees of the company and its subsidiaries to purchase 68,000 common shares at \$6.00 per share exercisable on or before August 31, 1976.

13. INCOME TAXES

Accumulated losses within the corporate group amounting to approximately \$750,000 are available to apply against future earnings for tax purposes.

14. LEASE COMMITMENTS

Annual rentals on real property leases which extend more than five years from June 30, 1971 approximate, \$110,000. Such leases expire at varying dates before 1980.

15. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and senior officers of the company (as defined by The Securities Act, Ontario) amounted to \$129,299 for the year ended June 30, 1971.

Information as required by section 122.2 of the Canada Corporations Act is as follows:

- a) Nine persons served as directors, two of whom were replaced during the year. No such person in his capacity as a director received remuneration.
- b) Four persons served as officers, one of whom was replaced during the year. The aggregate remuneration paid to such persons as officers was \$71,580.
- c) Two officers are also directors.

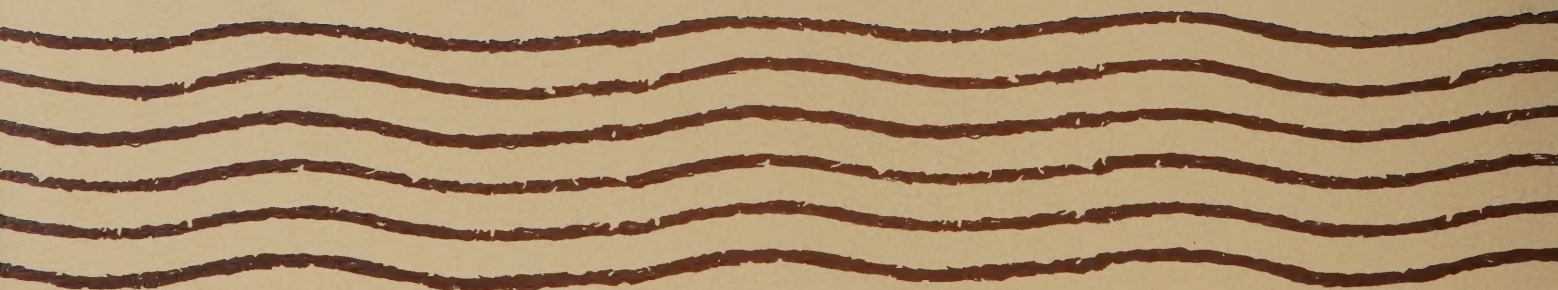
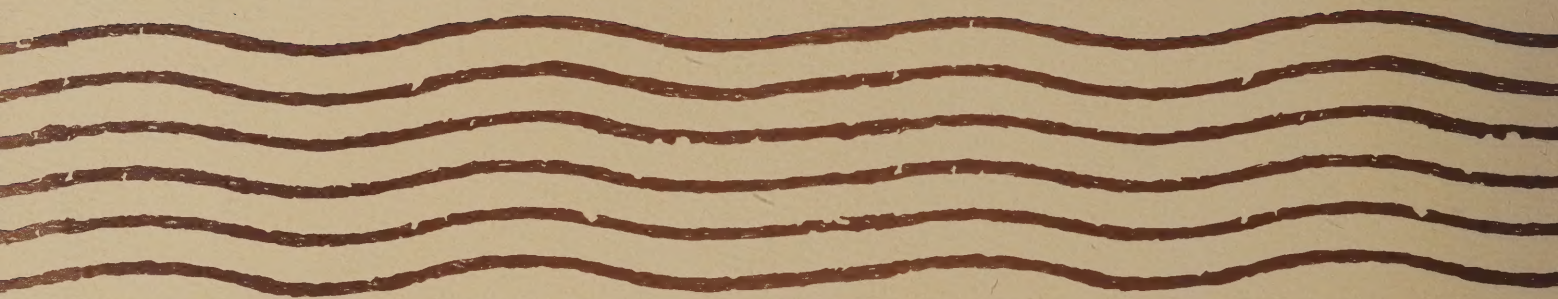
**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARIES**

**Notes to Consolidated
Financial Statements
for the year ended June 30, 1971
—continued—**

16. RAPID DATA SYSTEMS INTERNATIONAL LIMITED

At June 30, 1971 the company owned 49 % of the outstanding shares in Rapid Data Systems International Limited, a U.K. company established during the year. The company's share of its loss in the initial period ended June 30, 1971 was £ 30,297 (\$75,744).

The company is the guarantor of a bank loan to International in the amount of £ 60,000 (\$150,000). Subsequent to June 30, 1971 the company purchased additional shares in the capital stock of International at a cost of \$607,150 to bring its holdings to 60% of the outstanding shares. Pursuant to an agreement dated June 9, 1971, International, through its subsidiary Bradma Limited, acquired the Bradma business of a U.K. manufacturer and distributor of addressing machines and business systems for a purchase price of £ 800,000 (\$2,000,000) plus the assumption of the operating deficit for the period from April 1, 1971 to the date of closing (July 8, 1971). At June 30, 1971 the deficit of Bradma Limited was £121,541 (\$303,852) being the operating deficit for the three months ended on that date. Such operating deficit has not been consolidated in the accounts of International for the year ended June 30, 1971. The company and International jointly and severally guaranteed the due payment by Bradma Limited of £ 200,000 (\$500,000), being the unpaid portion of the purchase price.



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